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UTAH DEPARTMENT OF COMMERCE

Division of Public Utilities

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director
Brenda Salter, Assistant Director
Abdinasir Abdulle, Utility Technical Consultant Supervisor
Trevor Jones, Technical Consultant

Date: September 1, 2023

Re: **Docket No. 23-054-01**, Review of 2022 Annual Report for Union Telephone Company and Recommendations for Utah Universal Service Fund assistance for Calendar Year 2024

Recommendation (No Action Required)

The Public Service Commission of Utah (“Commission”) does not need to adjust the annual Utah Universal Service Fund (“UUSF”) amount payable to Union Telephone Company (“Company”). The Company did not receive UUSF support for 2023 and will not need support for 2024.

Issue

On April 12, 2023, the Commission requested the Division of Public Utilities (“Division”) review the 2022 Annual Report for compliance and recommendations. Pursuant to Utah Admin. Code R746-8-401, the Division has reviewed the annual report and the report complies. The Division calculated the amount of UUSF eligibility to be \$0.00 annually.

Background

Utah Admin. Code R746-8-401(9) requires the Division to make annual recommendations to the Commission for adjustments to the monthly UUSF distribution for each provider

Division of Public Utilities

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based on an established Federal Communications Commission (FCC) rate-of-return and the provider's financial information from its last Annual Report filed with the Commission. This memo presents the Division's recommendation.

Discussion

In calculating the UUSF eligibility for the Company, the Division noted the following:

1. Rate of Return – The FCC prescribed Rate-of-Return (ROR) effective on July 1, 2023, is 9.75%.
2. Depreciation – The Company does not utilize single asset straight-line depreciation. Depreciation expense may be affected by future rule changes.
3. Increased Federal USF – The Company received a substantial increase in federal interstate universal service fund revenue in 2017. This increased federal support will continue for 10 years until 2028. This materially impacted the Company's draw on the UUSF.
4. Deferred Regulatory Liability – Due to the change in the federal tax rate in 2017, and using accelerated depreciation in prior years, the Company has a deferred regulatory liability. The total liability incurred is \$152,000. The Commission should consider what action may be appropriate concerning the Company's rates and the amortization of this liability. Currently, no action has been taken yet due to the Company not receiving UUSF.

Conclusion

The Division recommends the UUSF distribution for Union Telephone Company remain at \$0.00 annually for 2024.

cc: DeEtté Wall, Union Telephone Company
Michelle Peden, Union Telephone Company